May 30, 2003

Re: IT-20 Fiscal
IT-20SC Fiscal
IT-20NP Fiscal

Dear Fiscal Year Corporate Taxpayer:

Governor O'Bannon signed Senate Enrolled Act 422 on May 8, 2003. This legislative change requires one return to be filed for a fiscal year corporate taxpayer. Originally, a final gross and supplemental net income tax (SNIT) return were contemplated as well as a full fiscal year return to calculate the adjusted gross income (AGI) tax liability.

The main areas affected by the new law are the supplemental net income tax calculation and the gross income tax calculation. Both taxes are still repealed as of January 1, 2003, but the calculation of the tax liability has changed. The department is granting an automatic sixty (60) day extension for any fiscal year taxpayer whose taxable year ends on or before June 30, 2003.

Any payments made with returns already filed should be claimed as an "estimated payment" when filing the replacement return. The web site of www.IN.gov/dor/ has additional information, supporting schedules and new rate tables for the corporate AGI tax and SNIT. The corporate tax section telephone number is 317-615-2662 should you have unique questions not addressed in this mailing or the web site information.

Replacement forms and schedules are enclosed for your convenience. Your understanding and cooperation is appreciated concerning these changes.

Sincerely,

Business Form Design Section
Indiana Department of Revenue

2002/2003 IT-20SC **Fiscal** Indiana Special Corporation Income Tax Return (5-03)

Replaces the following:

2002 IT-20SC (R1/9-02), Indiana Special Corporation Income Tax Return
for fiscal year filers, and
2002 IT-20FY, Corporate Adjusted Gross Income Tax Return

Automatic Extension of Time to File: If the fiscal year ends before July 1, 2003, taxpayers are given an automatic sixty (60) day extension of time to file beyond the normal due date.

<u>Detail of changes to update the 2002 fiscal year Indiana Special Corporation Income Tax Return</u>

Form IT-20SC Fiscal return is to be used by a qualified Indiana special corporation to report the full fiscal year's adjusted gross and partial year supplemental net income tax liabilities. The adjusted gross income tax rate increase is prorated over the fiscal year. The supplemental net income tax rate is prorated from the beginning of the taxpayer's fiscal year until December 31, 2002.

Schedule A

Report the adjusted gross income for a full fiscal year that starts in 2002 and ends in 2003.

Lines 11 & 15. Apply the total amounts from **IT-20 Fiscal Schedule F** (5-03). Replaces IT-20SC Schedule F (R1/9-02).

Line 13a. & 13d. Apply percentage from **IT-20 Fiscal Schedule E** (5-03). Replaces IT-20SC Schedule E (R/9-02).

Line 19. Apply the prorated adjusted gross income tax rate that is applicable during the taxpayer's full fiscal year.

Schedule B

Report the supplemental net income tax liability based on the full fiscal year's adjusted gross income that starts in 2002 and ends in 2003, using the tax rate in effect until repealed on January 1, 2003.

Line 23. Apply the prorated supplemental net income tax rate for the part of the year that is applicable during the taxpayer's fiscal year through December 31, 2002.

Schedule C

Total Income Tax Calculation for Fiscal Year

Enter total tax calculations after applying applicable rates for the fiscal year.

Estimated Credits and Other Payments for Fiscal Year

Line 39. Report the total of estimated payments made for the **whole taxable fiscal year *plus any payment previously paid on a replaced Form IT-20SC or IT-20FY.***

Line 45. Apply the penalty for underpayment of estimated tax from **Schedule IT-2220 Fiscal** (5-03). Replaces 2002 Schedule IT-2220 (R1/9-02) and Schedule IT-2220(FY).

See updated instructions and schedules on the Department's web site at www.in.gov/dor/taxforms/

INDIANA DEPARTMENT OF REVENUE
100 N. SENATE AVENUE
INDIANAPOLIS, IN 46204-2253

Corporate Taxpayer Assistance
(317) 615-2662

(5-03)

State of Indiana
Instructions for **Form IT-20SC Fiscal - Special Corporation Income Tax Return** for Fiscal Years
Beginning in 2002 and Ending in 2003

Contents

Other Indiana Department of Revenue Forms

Internet Address - www.in.gov/dor/
Our homepage provides access to forms, information bulletins and directives, tax publications, e-mail, and various filing options.

Indiana TaxFax - (317) 233-2329
Call TaxFax using the telephone portion of your fax machine or computer to obtain the Department's catalog of available Indiana tax forms.

STATE of INDIANA
DEPARTMENT OF REVENUE
INDIANA GOVERNMENT CENTER NORTH
INDIANAPOLIS, IN 46204-2253

May 30, 2003

Dear Fiscal Year Corporate Taxpayer:

Governor O'Bannon signed Senate Enrolled Act 422 on May 8, 2003. This legislative change requires one return to be filed for a fiscal year corporate taxpayer. Originally, a final gross and supplemental net income tax (SNIT) return were contemplated as well as a full fiscal year return to calculate the adjusted gross income (AGI) tax liability.

The main areas affected by the new law are the supplemental net income tax calculation and the gross income tax calculation. Both taxes are still repealed as of January 1, 2003, but the calculation of the tax liability has changed. The department is granting an automatic sixty (60) day extension for any fiscal year taxpayer whose taxable year ends on or before June 30, 2003.

Any payments made with returns already filed should be claimed as an "estimated payment" when filing the replacement return. The web site of www.IN.gov/dor/ has additional information, supporting schedules and new rate tables for the corporate AGI tax and SNIT. The corporate tax section telephone number is 317-615-2662 should you have further questions not addressed in these instructions or the web site information.

Replacement forms and schedules are enclosed for your convenience. Your understanding and cooperation is appreciated concerning these changes.

Sincerely,

Kenneth L. Miller

Kenneth L. Miller
Commissioner, Indiana Department of Revenue

Notes regarding replacement forms

A tax alert was issued May 1, 2003 regarding fiscal year taxpayers attempting to file for short fiscal period ending December 31, 2002 or a fiscal year return. Notice was given that certain corporate forms would no longer be applicable for 2002/2003 fiscal year reporting because of the eventual passage of Senate Enrolled Act 422 on May 8, 2003. As a response to the new filing requirements, the following replacement forms were made available to current fiscal year filers on May 30, 2003.

Form IT-20SC Fiscal (5-03) return is to be used by a qualified Indiana fiscal year Special Corporation to report full year's 2002 adjusted gross and partial year supplemental net income tax liability. The adjusted gross income tax rate increase is prorated over the fiscal year. The supplemental net income tax rate is prorated from the beginning of the taxpayer's fiscal year until December 31, 2002. This return replaces the fiscal year application of Form IT-20SC, but the form remains current for calendar year filers, and substitutes for Form IT-20FY (deleted).

Schedule IT-2220 Fiscal (5-03) allows a fiscal year corporate filer to compute penalty for underpayment of estimated taxes. This schedule replaces the fiscal year application of Schedule IT-2220, but the schedule remains current for calendar year filers, and replaces deleted Schedule IT-2220(FY).

Legislative and Administrative Highlights -2002

Internal Revenue Code References

Public Law 177-2002 updates references to the Internal Revenue Code in certain Indiana income tax statutes. For tax year 2002, any reference to the Internal Revenue Code means the Internal Revenue Code of 1986, as amended, and in effect on January 1, 2002. *Citations affected: IC 6-3-1-11. Effective: January 1, 2002 (retroactive).* HEA 1195, SECTION 11.

Not included in the above reference to the Internal Revenue Code are two acts passed by Congress: **The Victims of Terrorism Tax Relief Act of 2001, HR 2884** and **The Job Creation and Workers Assistance Act of 2002, HR 3090** which contain certain provisions with retroactive effective dates. Since these bills were signed *after January 1, 2002,* neither of the Acts was adopted into Indiana law.

Special Procedure for Tax Year 2002: On Form IT-20SC Fiscal use the adjustment line 9 of Schedule A to reflect certain federal legislative provisions in effect for 2002 that may not be used to arrive at Indiana adjusted gross income. Explain any adjustments on Schedule H of Form IT-20SC Fiscal.

Job Creation Workers Assistance Act of 2002 - Items of change that are **not** recognized for Indiana adjusted gross income tax purposes:

1. Bonus depreciation-Business taxpayers are allowed an additional deduction for certain qualified property acquired after September 10, 2001 and before September 11, 2004.
2. Net Operating Losses - The current 2 year NOL and 3 year casualty loss carry back provisions are extended to 5 years for losses incurred in taxable years ending after Dec. 31, 2000 and before Jan. 1, 2003.
3. New York Liberty Zone Benefits - Benefits are provided for those businesses located in New York City and affected by the events of Sept. 11, 2001.
4. Miscellaneous Provision-
   a) Cancellation of S corporation indebtedness.
   b) Changes to methods of accounting.
   c) School teacher business expense deduction.
   d) Extension of Certain Expiring Provisions and Technical Corrections.

These deductions must be added back on the Indiana return, if deducted on the federal return, and if not added back on a filed Indiana tax return, must be corrected by filing an amended return.

Repeal of Gross Income Tax and Supplemental Net Income Tax Effective 1-1-2003

P.L. 192-2002ss repeals the gross income tax, and repeals the supplemental net income tax. The bank tax, the savings and loan tax, and the production credit association tax are also repealed, as well as the credit for property taxes paid on inventory. *Citations affected:* IC 6-2.1 *Effective: January 1, 2003.* HB 1001ss, SECTION 191.

P.L. 192-2002ss, SECTION 199 provides that fiscal year taxpayers subject to the gross income tax will file a final return based on gross income tax due from the start of the fiscal year through December 31, 2002. *Effective: July 1, 2002.* HB 1001ss.

Adjusted Gross Income Tax Rate Increase Effective 1-1-2003

P.L.192-2002ss increases the corporate adjusted gross income tax from 3.4% to 8.5%. *Citations affected:* IC 6-3-2-1. *Effective: January 1, 2003.* HB 1001ss, SECTION 70.

P.L. 192-2002ss, SECTION 200 provides that corporate fiscal year taxpayers subject to the adjusted gross income tax shall calculate the adjusted gross income tax liability based on the number of days that the income is subject to the 3.4% rate, and the number of days that the income is subject to the 8.5% rate. *Citations affected:* IC 6-3-2-1. *Effective: July 1, 2002.* HB 1001ss.

Adjusted Gross Income Defined: P.L. 192-2002ss, SECTION 67 defines adjusted gross income for domestic life insurance companies to be the same as federal taxable income as defined in Section 801 of the Internal Revenue Code adjusted as follows: add Section 170 deductions and add back state and local income taxes. Subtract income that is exempt under statutes of the United States and income included in taxable income under Section 78 of the Internal Revenue Code.

Other insurance companies that are organized under Indiana law use the definition contained in Section 832 of the Internal Revenue Code with the same adjustments that are listed above. *Citations affected:* IC 6-3-1-3.5. *Effective: January 1, 2002 (retroactive).* HB 1001ss.

Insurance Companies: P.L. 192-2002ss, SECTION 68 provides that life insurance companies and other insurance companies are a corporation for purposes of the adjusted gross income tax statute. *Citations affected:* IC 6-3-1-10. Effective: January 1, 2003. HB 1001ss.

Factor Apportionment for Insurance Company: P.L. 192-2002ss, SECTION 71 provides that insurance companies are subject to a one-factor apportionment formula based on premiums written in Indiana divided by premiums written everywhere. *Citations affected:* IC 6-3-2-2. *Effective: January 1, 2003.* HB 1001ss.

Insurance Company's Net Operating Loss Deduction: P.L. 192-2002ss, SECTION 73 provides that insurance companies subject to the adjusted gross income tax are allowed a net operating loss deduction even if the taxpayer was not subject to tax at the time of the loss. *Citations affected:* IC 6-3-2-2.6. *Effective: January 1, 2003.* HB 1001ss.

Exemption for Insurance Company Paying Premium Tax: P.L. 192-2002ss, SECTION 74 provides that foreign insurance companies are exempt from the adjusted gross income tax, and domestic insurance companies are exempt if they elect to pay the insurance premium tax. *Citations affected:* IC 6-3-2-2.8. *Effective: January 1, 2003.* HB 1001ss.

Two New Enterprise Zones Established

The Indiana State Enterprise Board designated areas in the cities of **LaPorte** and **Vincennes** as two new enterprise zones. The designation is effective for January 1, 2002 through December 31, 2011, and applies to taxable years beginning after December 31, 2001.

Contact the Indiana Department of Commerce, Community Development Division, Enterprise Zone Services, One North Capitol Avenue, Indianapolis, IN 46204, or call 317-232-8911. Also contact your local Urban Enterprise Zone Association for more information.

Instructions for 2002 Form IT-20SC Fiscal (5-03)

2002 Fiscal Year Indiana Special Corporation

Filing Requirements for Special Corporations

Because the corporate Gross Income Tax is repealed by HB 1001 ss, effective January 1, 2003, this return will represent the final year for the recognition of a qualifying Indiana "special" corporation as described below. For tax years starting in 2003, all corporations are expected to file on Form IT-20.

Who May File Form IT-20SC Fiscal

Any corporation doing business and having gross income in Indiana is required to file an Indiana corporation income tax return. Indiana law requires corporations to adopt their federal tax year for reporting adjusted gross income to Indiana.

I.C. 6-2.1-3-24.5 exempts certain corporations from gross income tax. These entities are referred to as Indiana "Special Corporations." To be considered a special corporation, certain requirements must be met:

(1) The corporation must meet all the qualifications of an S Corporation as defined in Internal Revenue Code Section 1361 (b) (i.e., the corporation qualifies as an S Corporation but has not elected to be treated as such.) However, a corporation is a small business corporation for the purpose of claiming special status even if one (1) of its shareholders is a qualified trust that forms a part of an employee stock ownership plan under Section 401(a) of the Internal Revenue Code.

(2) The corporation's passive investment income, as defined in Internal Revenue Code Section 1362(d)(3)(C), may not equal or exceed twenty-five percent (25%) of its gross income for the tax year.

(3) A corporation must meet the Department's request to prove it is a "small business corporation" by filing on Form IT-20SC (the questionnaire at the top of the return will be considered prima facie proof of the small business corporation status).

A limited liability company treated as a corporation for federal income tax purposes and meeting the above requirements, may file form IT-20SC through December 31, 2002. A corporation applying for and receiving permission to file for federal income tax purposes, under I.R.C. Section 1361, as an S corporation using Form 1120S, is required to file an Indiana S Corporation Income Tax Return.

Caution: Special corporations are subject to a penalty for either paying the tax due late or filing the return after the due date (even if there is no tax due). See line 47 instructions. For an overview of corporate taxation, refer to Income Tax Information Bulletin #12.

Due Date of Return

The corporation's tax return, 2002 Form IT-20SC fiscal, is due on the fifteenth (15th) day of the fourth (4th) month following the close of the taxpayer's regular taxable year.

Accounting Methods

Under the Adjusted Gross Income Tax Act, the Department will recognize the method of accounting used for federal income tax purposes.

Adjusted Gross Income Tax (I.C. 6-3-1-3.5)

The adjusted gross income is calculated using the federal taxable income from the U.S. Corporation income tax return, Form 1120, and making Indiana modifications as required by I.C. 6-3-1-3.5(b). Adjusted gross and supplemental net income taxes are imposed on all income derived from Indiana sources according to the attribution of income and receipts as detailed on the apportionment IT-20 Fiscal Schedule E or related instructions. Indiana adjusted gross income is taxed at the rate of 3.4% effective through 12-31-2002 for calendar year 2002 filers . (See instructions for lines 1 through 19).

The adjusted gross income tax rate has been increased to 8.5% effective beginning January 1, 2003. Current fiscal year filers are affected by the rate change. Qualified taxpayers, exempt from gross tax, and must file on 2002 Form IT-20SC Fiscal.

Supplemental Net Income Tax (I.C. 6-3-8-1)

Repealed effective January 1, 2003

The supplemental net income tax for special corporations is calculated by deducting the adjusted gross income tax from the Indiana adjusted gross income for the reporting period. The remainder (supplemental net income) is taxed at the rate of 4.5% through December 31, 2002. Supplemental net income cannot be negative. If less than zero, enter zero on the appropriate line. (See instructions for lines 20 through 23.)

Estimated Quarterly Payments (I.C. 6-3-4-4.1)

Effective January 1, 2003

Special corporations with estimated adjusted gross income tax of more than $1,000 for the tax year are required to file quarterly estimated tax payments.

Estimated income tax payments are submitted with the Indiana quarterly estimated return, Form IT-6, or by electronic funds transfer when the average quarterly liability exceeds $10,000. If the corporation has overpaid estimated payments, a credit must be claimed on the annual corporate return, Form IT-20SC Fiscal, to obtain a refund or to carry over the excess to the following year's estimated tax account. If an estimated account needs to be established, contact the Department to remit the initial payment and to request preprinted quarterly estimated IT-6 returns. Use the federal identification number of the reporting taxpayer.

The quarterly due dates for estimated tax payments for calendar year corporate taxpayers are April 20, June 20, September 20 and December 20 of the tax year. Fiscal year and short tax year corporate filers must remit by the 20th day of the 4th, 6th, 9th, and 12th month of their tax period. For further instructions, refer to Income Tax Information Bulletin #11.

Penalty for Underpayment of Estimated Taxes (I.C. 6-8.1-10-2.1 b)

Corporations required to estimate their income taxes will be subject to a ten percent (10%) underpayment penalty if they fail to timely file estimated tax payments or fail to remit a sufficient amount. To avoid the penalty, the required quarterly estimated payments must be at least twenty percent (20%) of the total income tax liability for the current taxable year or twenty-five percent (25%) of the corporation's final income tax liability for the previous tax year. The penalty for the underpayment of estimated tax is assessed on the difference between the actual amount paid by the corporation for each quarter and twenty-five percent (25%) of the corporation's final income tax liability for the current tax year. Refer to the instructions for completing Schedule IT-2220 Fiscal, Penalty for the Underpayment of Corporate Income Taxes.

Electronic Funds Transfer Requirements

Corporate quarterly estimated tax is required to be remitted by Electronic Funds Transfer (EFT) if the amount of the corporate adjusted gross income tax imposed on a corporation exceeds an average liability of $10,000 per quarter (or $40,000 annually). An initial payment exceeding $10,000 does not necessarily mean the taxpayer must remit by EFT. However, the Department encourages all corporate taxpayers not required to remit by EFT to participate voluntarily in our EFT program because there is no minimum amount of payment. Note: Taxpayers remitting by EFT do not file quarterly IT-6 coupons. The only reconciliation is when the annual income tax return is filed.

If the Indiana Department of Revenue notifies a corporation of its requirement to remit by EFT, the corporation must do the following:

1) Complete and submit the EFT Authorization Agreement (Form EFT-1) and;
2) Begin remitting tax payments by EFT by the date/tax period specified by the Department.

Failure to comply will result in a 10% penalty on each quarterly estimated income tax liability not sent by EFT. Note: The Indiana Code does not require the extension of time to file payment or final payment due with the annual return to be paid by EFT. Nevertheless, if either is paid by EFT, be certain to also claim any EFT payment as an extension or estimated payment credit. Do not file a return indicating an amount due if you have paid, or will pay, any remaining balance by EFT.

If the corporation determines that it meets the requirements to remit by Electronic Funds Transfer (EFT), contact the Indiana Department of Revenue, EFT Section, by calling: (317) 615-2695.

Treatment of Partnership Income

Adjusted Gross Income Tax (all distributions) and Supplemental Net Income Tax: If the corporate partner's and the partnership's activities constitute a unitary business under established standards (disregarding ownership requirements), the business income of the unitary business attributable to Indiana is determined by a three-factor formula. The formula consists of property, payroll, and sales of the corporate partner and its share of the partnership's factors for any partnership year ending within or with the corporate partner's income year. The partner's proportionate share of all of the partnership's (unapportioned) state income taxes and charitable contributions are added back in determining adjusted gross income. If the corporate partner's activities and the partnership's activities do not constitute a unitary business under established standards, the corporate partner's share of the partnership income attributable to Indiana shall be determined as follows: (1) If the partnership derives income from sources within and outside Indiana, the income derived from sources within Indiana is determined by a three-factor formula consisting of property, payroll, and sales of the partnership; (2) If the partnership derives income from sources entirely within Indiana, or entirely outside Indiana, such income will not be subject to formula apportionment.

For non-unitary partners, taxable partnership distributions included in federal adjusted gross income are deducted on line 11 of Schedule A. Non-unitary partnership income attributed to Indiana, including any apportioned pro rata modifications, is added back on line 15 of Schedule A. Refer to instructions for Schedule F for further information.

Losses will be treated the same as income; however, losses may not exceed the limits imposed by I.R.C. Section 704.

Extensions for Filing Returns

The Department normally recognizes the Internal Revenue Service's application for automatic extension of time to file (Form 7004).

Do not file a separate copy of Form 7004 with the Department to request an Indiana extension. Instead, the federal extension form must be attached when the Indiana return is filed. Returns postmarked within thirty (30) days after the federal extension date will be considered timely filed.

If a federal extension is not needed, a corporation may request a separate Indiana extension of time to file by writing to the Indiana Department of Revenue, Returns Processing Center, Corporate Income Tax Section, 100 N. Senate Avenue, Indianapolis, Indiana 46204-2253.

If filing after the original due date, but prior to the extended due date, a penalty for late payment will not be imposed if at least 90% of the corporation's income tax was paid by the original due date. *The extension payment should be sent with the previous preprinted Indiana Form IT-6 as a fifth quarter estimate for your taxable year or on a company's statement by the due date.*

Any tax paid after the original due date must include interest. Contact the Department for the current interest rate charged for late payments.

Calculation of Interest on Refunds

I.C. 6-8.1-9-2 states if an overpayment of tax is not refunded within ninety (90) days of either: the date the tax payment was due, the date the tax was paid, or the date the refund claim is filed, whichever is latest, accrues interest from the date the tax was due or paid at the rate established by the Commissioner.

An approved overpayment will be refunded or may be credited to the following tax year. A combination of the above two options can be used by calendar year taxpayers.

Automatic Extension of Time to File: If the fiscal year ends before July 1, 2003, taxpayers are given an automatic sixty (60) day extension of time to file beyond the normal due date.

Amended Returns

Form IT-20X must be completed to amend an Indiana corporation return. Always use Form IT-20X to comply with I.C. 6-3-4-6, requiring a taxpayer to notify the Department of any modifications (federal adjustment, R.A.R., etc.) made to a federal income tax return within 120 days of such change. Attach copies of all federal waivers applying to the amended return.

To claim a refund of an overpayment, the return must be filed within three years of the latter of the date of overpayment or due date of the return. For carry-back of a net operating loss deduction Indiana generally follows federal regulations.

Also, I.C. 6-8.1-9-1, entitles a taxpayer to claim a refund because of a reduction in tax liability resulting from a federal modification by allowing six months from the date of modification by the Internal Revenue Service to file a claim for refund.

Therefore, an overpayment resulting from a modification of a federal income tax liability must be claimed within the latter of : the three year period from the due date of the return, date of payment, or within 6 months of the taxpayer's notification by the Internal Revenue Service.

If an agreement to extend the statute of limitations for an assessment is entered into between the taxpayer and the Department, then the period for filing a claim for refund is likewise extended.

Instructions for Completing Form IT-20SC Fiscal

File a 2002 Special Corporation return for a taxable year beginning in 2002 and ending in 2003. If a short tax year ends in 2002, cross out 2003 and write-in your ending date on line BB .

Identification Section

Questions *K* through *Z* of the special corporation income tax return must be completed for the return to be accepted by the Department. Please use the full legal name of the corporation and present mailing address. The federal identification number shown in the box at the upper right hand corner of the return must be accurate and the same as used for federal purposes.

Note: For question S, check box #2 only if the corporation is dissolved, liquidated or has withdrawn from the state.

If the corporation is registered as a collection agent for the State of Indiana for sales and/or withholding tax, enter the assigned Indiana Taxpayer Identification (TID) number as 10 digits by dropping the trailing three-digit location number. This number should be referenced on all returns and correspondence filed with the Department.

List the Indiana county for your primary business location within the state. Place "O.O.S." in the county box for an address outside Indiana.

Enter your principal business activity code, derived from the North American Industry Classification System (NAICS), in the designated box on the return. Use the six-digit federal business activity code as reported on the U.S. Corporation income tax return. A list of these codes is available through the Department's Internet address at www.in.gov/dor/resources.

The Department is mandated under I.C. 6-8.1-6-5 to request information concerning the number of motor vehicles owned or leased by a corporation and whether or not those vehicles are registered in Indiana. A motor vehicle for purposes of this section is a car, a motorcycle, or a truck having a declared gross weight of 11,000 pounds or less. These vehicles are subject to the motor vehicle excise tax. This information must be provided by answering the items in questions *Q* and *R* on the front of Form IT-20SC Fiscal. Also, an explanation must be given if any of the vehicles are not registered in Indiana. Attach additional sheets, if necessary.

IT-20SC Fiscal Schedule A
Adjusted Gross Income Tax Calculation

Line 1. Enter the federal taxable income as defined under I.R.C. Section 63 before the federal net operating loss deduction and/or special deduction from U. S. Corporation Income Tax Return, Form 1120.

Line 2. Enter the special deductions from Schedule C, federal Form 1120, excluding NOL.

Line 3. Enter the result of line 1 minus line 2.

Line 4. Enter all taxes measured by income levied by any state from all sources **deducted** when calculating the federal net taxable income. If a unitary relationship exists with a partnership, include the proportionate share of the partnership's modifications provided for under I.C. 6-3-1-3.5 (b) (unapportioned).

Line 5. Enter all charitable contributions deducted on the federal return.

Line 6. Enter the interest or any proportionate share of interest from direct obligations of the United States Government included as income on federal Form 1120, and Form 1065 (if a unitary relationship exists). However, this is not a total exclusion. All related expenses must first be deducted from the exempt dividend or interest income and are limited to the amount on income generated by each obligation. Refer to Income Tax Information Bulletin #19, for a list of eligible items.

Line 7. Enter total of Indiana modifications: add line 4 and 5, subtract line 6.

Line 9. Adjustments - Other adjustments can include:

Special Procedure for Taxable Year 2002: You may have to adjust your return if you took advantage of any federal provisions that affect adjusted gross income allowed under Job Creation and Workers Assistance Act of 2002, HR 3090. Use the adjustment line 9 of Schedule A to reflect certain federal legislative provisions in effect for 2002 that may not be used to arrive at Indiana adjusted gross income. Explain any adjustments on Schedule H of Form IT-20SC Fiscal. See list of these provisions as highlighted on page 3.

- **Deduction for Lottery Prize Money** - Prize money from a winning Indiana lottery game or ticket included in federal taxable income should be excluded if received before July 1, 2002. Beginning after June 30, 2002, the proceeds of up to $1200 are deductible from each winning lottery game or ticket paid through the Hoosier State Lottery Commission. *Explain deduction on Schedule H.*
- **Deduction for Foreign Source Dividends -** If any dividends were received from foreign corporations, see instructions in the Corporate Income Tax Booklet, Form IT-20 Fiscal, or Income Tax Information Bulletin #78. *All adjustments taken on line 9 must be explained on Schedule H which must be submitted with the income tax return.* Do not use line 9 to deduct out-of-state income. See apportionment and allocation instructions for IT-20 Fiscal Schedules E and F.

Line 10. Add lines 8 and 9, enter the balance. If there is property, payroll, or income outside of Indiana, refer to instructions for IT-20 Fiscal Schedule E. **Note:** If all property and payroll are in Indiana, the Department will assume all sales are also taxable to Indiana unless a supporting explanation is attached.

Line 11. Enter the net nonbusiness income (loss) and non-unitary partnership distribution from IT-20 Fiscal Schedule F (form pages 6 and 7), column C, line 10. You must also complete IT-20 Fiscal Schedule F.

Line 13a-d. If applicable, enter the Indiana apportionment percentage (round to two decimal places, e.g. 98.46%) from the completed schedule. Check box 13a if using IT-20 Fiscal Schedule E, line 4(c). Check box 13b if using Schedule E-7, Apportionment for Interstate Transportation. Check box 13c if using another approved method. You must attach the appropriate schedule. Do not enter 100% on this line. Generally, when the property and payroll factors are each 100% in Indiana, the corporation will not be subject to taxation by another state; therefore, all sales are taxed by Indiana.

Line 14. Multiply line 12 by the apportionment percentage on line 13, if applicable; otherwise, enter amount from line 12.

Line 15. Enter Indiana net nonbusiness income (loss) and Indiana non-unitary partnership income from IT-20 FiscalSchedule F, column D, line 11. Also attach completed IT-20 Fiscal Schedule F.

Line 17. The available portion of an Indiana net operating loss deduction is calculated on separate Schedule IT-20NOL. *Please review Schedule IT-20NOL and the instructions before completing line 17. Schedule IT-20NOL must be attached to support the entry.* The amount on line 17 cannot exceed the amount on line 16
.

Line 19. Indiana adjusted gross income tax for the taxable fiscal year: multiply line 18 by the prorated adjusted gross income tax rate in effect during the taxpayer's full fiscal year. *Apply the tax rate factor for Schedule A that is applicable to the federal taxable year from the beginning date to the ending date of the fiscal year. See Tax Rate Chart on page 3 of Form IT-20SC Fiscal. If your taxable year has a different start or end date, or is less than 365 days, you must compute your tax rate according to the days of your taxable year within calendar year 2002 and 2003 by the total number of days in your full taxable year.* If line 18 is a loss, enter zero and do not calculate the supplemental net income tax.

IT-20SC Fiscal Schedule B - Final Supplemental Net Income Tax Calculation

Line 20. All taxpayers must calculate their adjusted gross income and enter this figure on line 20. If line 18 is a loss, enter zero and do not calculate supplemental net income tax.

Line 21. Enter the adjusted gross income tax from Schedule A, line 19.

Line 22. Deduct line 21 from line 20. This figure cannot be less than zero.

Line 23. Final supplemental net income tax: multiply line 22 by the prorated supplemental net income tax rate in effect for part of the taxpayer's fiscal year in calendar year 2002. *Apply the tax rate factor for Schedule B that is applicable to the federal taxable year from the beginning date in 2002 through December 31,2002. See Tax Rate Chart on page 3 of Form IT-20SC Fiscal. If your taxable year has a different start or end date, or is less than 365 days, you must compute your tax rate according to the number of days of your taxable year in calendar year 2002 by the number of days in your full taxable year.* All taxpayers must calculate the supplemental net income tax.

IT-20SC Fiscal Schedule C Total Income Tax Calculation for Fiscal Period

Line 24. Enter the adjusted gross income tax from Schedule A, line 19.

Line 25. Enter the final supplemental net income tax from Schedule B, line 23.

Line 26. Enter the total of lines 24 and line 25 and carry to line 27 on front of Form IT-20SC Fiscal.

IT-20SC Fiscal Schedule E Apportionment of Adjusted Gross Income for Fiscal Year

Use of an Apportionment Schedule: If the adjusted gross income of a corporation is derived from sources both within and outside the state of Indiana, the adjusted gross income attributed to Indiana must be determined by a three-factor apportionment formula. The Department will not accept returns filed for adjusted gross income tax purposes using the separate accounting method. Schedule E must be used unless special permission from the Department is granted. Also see 45 I.A.C. 3.1-1-153, for tax treatment of unitary corporate partners.

Detailed Instructions:
Note: *Interstate transportation corporations should consult Schedule E-7 for details concerning apportionment of income. Contact the Department to get this schedule.*

Part I - Apportionment of Adjusted Gross Income for Fiscal Year Beginning in 2002 and ending in 2003
1. Property Factor: The property factor is a fraction. The numerator is the average value during the tax year of real and tangible personal property used in the business within Indiana (plus value of rented property), and the denominator is the average value during the tax year of such property everywhere. The average value of property shall be determined by averaging the values of the beginning and the end of the tax year. If the values have fluctuated, the averaging of monthly values may be necessary to reflect the average value of the property for the tax year. If, in the calculation of the property factor, the average values of properties are composed of a combination of values, attach a schedule showing how these average values were calculated. For example, the use of original cost for owned properties plus the value of rental or leased facilities based upon a capitalization of rents paid, which cannot be checked against the balance sheet or the profit and loss statement, must be supported. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at eight (8) times the net annual rental rate.

Complete appropriate lines for both within Indiana and everywhere. Add lines (a) through (e) in columns A and B. Divide sum in line 1A by the sum from line 1B. Multiply by 100 and enter the percent in line 1C. Round to the nearest second decimal place.

2. Payroll Factor: The payroll factor is a fraction. The numerator is the total wages, salaries, and other compensation paid to employees in Indiana for services rendered for the business, and the denominator is the total of such compensation for services rendered for the business everywhere. Normally, the Indiana payroll will match the unemployment compensation reports filed with Indiana as determined under the Model Unemployment Compensation Act. Compensation is paid in Indiana if (a) the individual's service is performed entirely within Indiana; (b) the individual's service is performed both within and outside Indiana, but the service performed outside Indiana is incidental to the individual's service within Indiana; (c) some of the service is performed within Indiana and (1) the base of operations, or if there is no base of operations, the place where the service is directed or controlled is in Indiana; or (2) the base of operations or the place where the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in Indiana. Payments to independent contractors and others not classified as employees are not included in the factor. Payments to employees for service attributable to nonbusiness income should be excluded. The portion of an employee's salary directly contributed to a Section 401K plan is included in the factor; however, the employer's matching contribution is not.

Enter payroll values in lines 2A and 2B. Divide the total in line 2A by the total from line 2B. Multiply by 100 and enter the percent in line 2C. Round to the nearest second decimal place.

3. Receipts Factor: The receipts factor is a fraction. The numerator is the total receipts of the taxpayer in Indiana during the tax year, and the denominator is the total receipts of the taxpayer everywhere during the tax year. Do not include the portion of dividends excluded for federal taxable business income, or the percentage of foreign source dividends deducted (under I.C. 6-3-2-12). Sales between members of an affiliated group filing a consolidated return under I.C. 6-3-4-14 shall be excluded.

All gross receipts of the taxpayer which are not subject to allocation are to be included in this factor. Do not include any previously apportioned income or any partnership distribution. The receipts factor is double-weighted in the apportionment of income formula for adjusted gross income tax purposes.

The numerator of the receipts factor must include all sales made in Indiana, sales made from Indiana to the U.S. Government, and sales made from Indiana to a state not having jurisdiction to tax the activities of the seller. The numerator will also contain intangible income attributed to Indiana, including interest from consumer and commercial loans, installment sales contracts, and credit and debit cards as prescribed under I.C. 6-3-2-2.2.

Total receipts include gross sales of real and tangible personal property less returns and allowances. Sales of tangible personal property are in Indiana if the property is delivered or shipped to a purchaser within Indiana regardless of the f.o.b. point or other conditions of sale, or the property is shipped from an office, store, warehouse, factory, or other place of storage in Indiana, and the taxpayer is not subject to tax in the state of the purchaser.

Sales or receipts not specifically assigned above shall be assigned as follows: (1) gross receipts from the sale, rental, or lease of real property are in Indiana if the real property is located in Indiana; (2) gross receipts from the rental, lease, or licensing the use of tangible personal property are in Indiana if the property is in Indiana. If property was both within and outside Indiana during the tax year, the gross receipts are considered in Indiana to the extent the property was used in Indiana; (3) gross receipts from intangible personal property are in Indiana if the taxpayer has economic presence in Indiana and such property has not acquired a business situs elsewhere. Interest income and other receipts from loans or installment sales contracts that are primarily secured by or deal with real or tangible personal property are attributed to Indiana if the security or sale property is located in Indiana; consumer loans not secured by real or tangible personal property are attributed to Indiana if the loan is made to an Indiana resident; and commercial loans and installment obligations not secured by real or tangible personal property are attributed to Indiana if the proceeds of the loan are applied in Indiana. Interest income, merchant discounts, travel and entertainment credit card receivables, and credit card holder's fees are attributed to the state where the card charges and fees are regularly billed. Receipts from the performance of fiduciary and other services are attributed to the state where the benefits of the services are consumed. Receipts from the issuance of traveler's checks, money orders, or United States savings bonds are attributed to the state where those items are purchased. Receipts in the form of dividends from investments are attributed to Indiana if the taxpayer's commercial domicile is in Indiana; and (4) gross receipts from the performance of services are in Indiana if the services are performed in Indiana. If such services are performed partly within and partly outside Indiana, a portion of the gross receipts from performance of the services shall be attributed to Indiana based upon the ratio the direct costs incurred in Indiana bear to the total direct costs of the services, unless the services are otherwise directly attributed to Indiana according to I.C. 6-3-2-2.2.

Sales to the United States Government: The United States Government is the purchaser when it makes direct payment to the seller. A sale to the United States Government of tangible personal property is in Indiana if it is shipped from an office, store, warehouse, or other place of storage in Indiana. See above rules for sales other than tangible personal property if such sales are made to the United States Government.

Other gross receipts: Under (f) Other, report other gross business receipts not included elsewhere, and pro rata gross receipts from all unitary-partnership(s), excluding from all the factors the portion of distributive share income derived from a previously apportioned partnership source [45 I.A.C. 3.1-1-153(b)].

Complete all lines as indicated. Add receipt factor lines 3(a) through 3(f) in column A, enter total on line 3A. Enter total receipts everywhere in line 3B. See line 4(a) for calculation of the percentage.

4. Summary: Apportionment of Adjusted Gross Income for Indiana for the Reporting Period.

(a) Divide sum in line 3A by the total from line 3B. (Multiply by 100 to arrive at a percent rounded to the nearest second decimal place). Enter the quotient in the 4(a)1 space provided and multiply by 200% (2.0) double weight adjustment. Enter the product in line 4a of column C.

(b) Add entries in lines 1C, 2C and 4a of column C. Enter the sum of the percentages in line 4b.

(c) Divide the total percentage entered in line 4b by 4. Enter the average Indiana apportionment percentage period (rounded to the nearest second decimal place) in line 4c and carry to line 13d, Schedule A of Form IT-20SC Fiscal and check box 13a.

The property and payroll factors are each valued as a factor of 1 in the apportionment of income formula. The receipts factor is valued as a factor of 2. The combined three-factor denominator equals 4.

When there is a total absence of one of these factors for column B, you must divide the sum of the percentages by the number of the remaining factor values present in the apportionment formula.

Part II - Business/ Non Business Income Questionnaire

Complete all applicable questions in this section. If income is apportioned, list (a) all business locations where the corporation has operations. Indicate (b) the nature of the business activity at each location: whether a location (c) accepts orders in that state, (d) is registered to do business in that state, (e) files income tax returns in other states; and whether property in the other states is (f) owned, or (g) leased.

IT-20 Fiscal Schedule F
Allocation of Nonbusiness Income and Indiana Non-Unitary Partnership Income for Fiscal Year

The critical element in determining whether income is "business income" or "nonbusiness income" is the identification of the transactions and activity which are the elements of a particular trade or business. In general, all transactions and activities of the taxpayer dependent upon or contributing to the operations of the taxpayer's economic enterprise as a whole constitute the taxpayer's trade or business and will be classified as business income.

With partnership income, the relationship between the business of the corporate partner and the partnership will control the classification. If the partnership's activities are closely related to the activities of the corporate partner, the corporate partner's share of partnership income will be apportioned the same as its other business income.

Nonbusiness Income is defined as all income not properly classified as business income. 45 I.A.C. 3.1-1-31.

Some examples of nonbusiness income include, but are not limited to:

(a) Dividends from stock held for investment purposes only;
(b) Interest on portfolio of interest bearing securities held for investment purposes only; or,
(c) Capital gain or loss from the sale of property held for investment purposes only.

Note: *Partnership distributions included in federal taxable income derived from a partnership not having a unitary relationship with the corporate partner (taxpayer) will be reported on line 9, column C. All non-unitary partnership distributions attributed to Indiana, including the apportioned share of the partnership's state income taxes and charitable contributions, must be entered on line 9, column D for Indiana adjusted gross income.*

Likewise, any previously apportioned income, including distributions from tiered partnerships, are treated as allocated income and reported on line 9, column C. It will not be part of the tax base of apportionable business income.

The taxpayer's pro rata portion of such income and modifications that were previously attributed to Indiana will be carried to line 9, column D. The total on line 9D is added to the corporation's non-business income allocated to Indiana and other business income apportioned to Indiana to determine the taxpayer's total taxable income.

Line (1) Dividends from nonbusiness sources are allocated to Indiana if the commercial domicile is Indiana.

If there is, or was, a unitary relationship between the taxpayer and the payer of the dividend, the income is generally treated as business income. Factors to consider in determining if a unitary relationship exists are the degree of control, centralized operating functions, economic benefits provided by the affiliate, inter-affiliate transfers of personnel, common trademarks and patents, and the total sales between affiliated corporations. Dividends from a FSC or a DISC are treated as business income and must be apportioned.

Line (2) Interest from nonbusiness sources is allocated to Indiana if the commercial domicile is in Indiana.

Generally, interest earned from long-term investments is considered nonbusiness income. **Note:** An appropriate amount of liquid working capital is necessary for the day-to-day operation of a business. Therefore, income from short-term investments of temporarily idle cash and other liquid assets is business income. This includes interest from savings accounts, checking accounts, certificates of deposit, commercial paper and other such items.

Line (3) Net capital gains or losses from the sale of nonbusiness intangible personal property are allocated to Indiana if the taxpayer's commercial domicile is in Indiana.

Net capital gains or losses from the sale or exchange of nonbusiness tangible personal property are allocated to Indiana if:

(a) The property had situs in Indiana at the time of the sale; or,
(b) The taxpayer's commercial domicile is in Indiana, and the taxpayer is not taxed in the state where the property is located.

Include net capital gains or losses from the sale or exchange of all real property not used in the production of business income.

Note: If the property sold was used previously by the business, the capital gain or loss from the transaction is business income.

Line (4) Rents and royalties from real property (to the extent they constitute nonbusiness income) are allocated to Indiana if the real property is located in Indiana.

Rents and royalties from nonbusiness tangible personal property are allocated to Indiana to the extent the property is utilized in Indiana.

(a) The extent of utilization is determined by multiplying the rents and royalties by the following fraction: The numerator is the number of days of physical location of the property in Indiana during the rental or royalty periods in the tax year. The denominator is the number of days of physical location of the property everywhere during the rental or royalty periods in the tax year.
(b) Such rents and royalties are taxed by Indiana if the taxpayer's commercial domicile is in Indiana, and the taxpayer is not organized under the laws of or taxable in the state in which the property is utilized.

Line (5) Patents, copyrights and royalties from intangible property not related to the production of business income are allocated to Indiana:

(a) To the extent the patent, copyright, or royalty is utilized by the taxpayer in Indiana; or,
(b) To the extent the patent, copyright, or royalty is utilized by the taxpayer in a state where the taxpayer is not taxable, and the taxpayer's commercial domicile is in Indiana.

A patent is utilized in a state to the extent it is employed in production or other processing in the state or to the extent the patented product is produced in the state.

A copyright is utilized in a state to the extent printing or other publication originated in the state.

Line (6) Other Nonbusiness Income: Enter other nonbusiness income not provided for in lines (1) through (5) and line 9 if any portion of a partnership distribution is deemed nonbusiness income.

Line (7) Total Nonbusiness Income from column A, gross amount subtotals lines 1 through 6.

Line (8) Total Related Expenses from Column B, subtotals lines 1 through 6 (all related nonbusiness expenses attributed to excluded income other than state income taxes).

Line (9) Distributive Share Income from Non-Unitary Partnership: Enter in column C the total non-unitary partnership and tiered partnership income reported on the federal return. Enter in column D apportioned Indiana income, as modified, from Form IT-65 Schedule IN K-1, and any portion of tiered partnership income attributed to Indiana.

Line (10) Total Net Nonbusiness Income (loss): Add all subtotals from column C. Also enter amount of column C on line 11 of Form IT-20SC Fiscal.

Line (11) Total Indiana Nonbusiness Income and Indiana Non-unitary Partnership Income: Add all subtotals from column D. Also enter amount of column D on line 15 of Form IT-20SC Fiscal.

IT-20SC Fiscal Schedule H
Additional Explanations

Explain on this schedule amounts entered on the return if an additional explanation is needed. Itemize each entry by schedule, line number, and amount.

IT-20SC Fiscal Schedule CC-20
College Credit

Corporations liable for Indiana adjusted gross income tax may compute a credit against their adjusted gross income tax liability for charitable contributions to Indiana colleges and universities on IT-20SC Fiscal Schedule CC-20.

Limitations: A corporation is allowed a tax credit for contributions to qualified Indiana institutions equal to fifty percent (50%) of the aggregate amount thereof, limited to the lesser of:

(a) Ten percent (10%) of the corporation's adjusted gross income tax for the year in 2002 when the gifts are made (computed without regard to any credits against the tax), or

(b) One thousand dollars ($1,000).

See Income Tax Information Bulletin #14.

Summary of Calculations for Fiscal Year

Line 27. Enter the total income tax from Schedule C, line 26. This figure cannot be less than zero.

Line 28. I.C. 6-2.5-3-2 imposes a use tax at the rate of five percent (.05) through November 30, 2002, **six percent (.06) starting December 1, 2002**, upon the use, storage or consumption of tangible personal property in Indiana that was purchased or rented in a retail transaction, wherever located, and 5% (or 6% after November 30, 2002) sales tax was not paid.

Examples of taxable items include magazine subscriptions, office supplies, electronic components and rental equipment. Also, any property purchased free of tax, by use of an exemption certificate or from out-of-state, and converted to a nonexempt use by the business is subject to the use tax.

If you are a registered retail sales or out-of-state use tax agent for Indiana you must report nonexempt purchases used in your business on Form ST-103, Indiana annual, quarterly or monthly Sales and Use Tax Voucher. If you are not required to file Form ST-103, or have failed to properly include purchases that are now subject to use tax, complete the Sales/Use Tax Worksheet on form page 5 to compute any sales/use tax liability. For more information regarding use tax, call (317) 233-4015.

Carry the total calculated sales/use tax due to line 28 on the front of the return. Caution: Do not report your totals from ST-103 on this worksheet on Form IT-20SC Fiscal.

Line 30. Enter the amount of credit taken for charitable contributions during 2002 to eligible colleges and universities located within Indiana. **Note:** Schedule CC-20, found on page 5 of Form IT-20SC Fiscal, or a separate Schedule CC-40 must be completed and filed with the income tax return.

Line 31. Enter the allowable **Neighborhood Assistance Tax Credit** reflected on pre-approved Form NC-20. For further information, refer to Income Tax Information Bulletin #22. Attach Form NC-20 if claiming this credit.

Line 32. Enter the allowable **Indiana Research Expense Tax Credit** for 2002 tax periods. Schedule IT-20REC, must be attached.

Line 33. Enter the allowable credit for contributions made to the **Twenty-First Century Scholars Program Support Fund.** The credit is equal to 50% of the contributions made during the tax period, limited to the lesser of 10% of the corporation's total adjusted gross income tax (as determined without regard to any credits against the tax); or $1,000. See I.C. 6-3-3-5.1 Detailed information about the scholarship program, registration, and administration may be obtained by calling the Office of the Twenty-First Century Scholars Program at (317) 233-2100. Attach Schedule TCSP-40.

Line 34. Enter the **Enterprise Zone Employment Expense Tax Credit** as calculated on Schedule EZ, Part 2 or amount assigned or received from a pass-through entity. Attach the schedule to the return. For further information on this credit and other enterprise zone tax benefits, refer to Income Tax Information Bulletin #66.

Line 35. Enter the **Enterprise Zone Loan Interest Tax Credit** as calculated on Schedule LIC or the amount assigned or received from a pass-through entity. Attach the schedule to the return.

Line 36. Enter the total of other nonrefundable credits. **See listing under Other Tax Credits.** The total of all credits is limited to the amount of tax due on line 27, unless otherwise noted. See lines 41 and 42 for certain refundable credits.

Line 37. Enter the total tax credits from lines 30 through 36.

Line 38. Enter the net tax due (subtract line 37 from line 29).

Line 39. Enter the total amount of estimated income tax payments made during fiscal tax year beginning in 2002 reported on Form IT-6 or via electronic funds transfer. Itemize those quarterly or EFT payments in the spaces provided. *If a payment for the same taxable year was made on a previously filed return (using Form IT-20SC or IT-20FY), it may be claimed on this replacement form as part of the estimated credit on Form IT-20SC Fiscal. Include that amount as part of the total estimate tax paid on line 39.*

Line 40. Enter the amount previously paid with a valid extension of time to file and amount of any prior year overpayment credit. Enter the combined total.

Line 41. Enter credit for the amount of gross income tax paid on sales of real estate during period on or before December 31, 2002. Generally, qualified special corporations are exempt from the requirement to pay gross income tax to county treasurers on the sale of real estate. Copies of receipts for any amounts actually paid must be attached to the return or credit will be reduced or disallowed.

Line 42. Enter any other credits attributed to this tax period and attach a detailed explanation and supporting documentation. Claim any certified EDGE credit and any gross income tax withheld from nonresident contractors. Attach copy C of the withholding Form WH-18, which is issued by the withholding agent.

Line 43. Enter the total payments and credits (add lines 39, 40, 41, and 42).

Line 44. Enter balance of total tax due (subtract line 43 from line 38).

Line 45. Enter the penalty for the underpayment of corporate taxes from Schedule IT-2220 Fiscal. Attach a completed copy of this schedule even if you meet an exception to the underpayment penalty.

Line 46. If the tax reflected on line 44 is paid after the original due date, interest must be included with the payment. An extension of time to file does not extend the time to pay the tax due; therefore, interest must be calculated on late payments. **Contact the Department for the current rate of interest for late payments.**

Line 47. Special corporations are subject to a penalty for either paying the tax due late or filing the return after the due date (even if there is no tax due).

Enter the computed penalty amount that applies:

A. If the return with payment is made after the original due date, a penalty, which is the greater of $5.00 or 10% of the balance of tax due (line 44), must be entered. The penalty for paying late will not be imposed if *all three* of the following conditions are met:

(1) A valid extension of time to file exists;
(2) At least 90% of the tax liability was paid by the original due date; and,
(3) The remaining tax is paid by the extended due date.

B. If the return showing no tax liability (on line 29) is filed late, penalty for failure to file by the due date will be $10 per day the return is past due, up to a maximum of $250.

Line 48. If a payment is due, enter the total tax plus any underpayment penalty, late penalty and interest. Remit this amount as a separate payment for each return filed. Payment to the Department of Revenue must be made with U.S. funds.

Line 49. If an overpayment of tax exists, enter the refund due less the computed penalties shown on lines 45 and 47. When the return is filed timely, a taxpayer may elect to have a portion or all of its overpayment credited to the following year's estimated adjusted gross income tax account.

Line 50. Enter all or any portion of the overpayment, as reflected on line 49, that may be refunded to a calendar year taxpayer only.

Line 51. Enter the amount of overpayment on line 49 to be credited to the taxpayer's next taxable year.

Note: Entries on line(s) 50 and 51 should equal line 49. If the overpayment is reduced because of an error on the return or an adjustment by the Department, the amount refunded (line 50) will be corrected before any changes are made to the amount on line 51. A refund may be set-off and applied to other liabilities under I.C. 6-8.1-9-2(a) and 6-8.1-9.5.

Be sure to sign and print your name and date on the return. If a paid preparer completed your return, you may authorize the Department to discuss your tax return with the preparer by checking the Authorization box above the signature line.

Please mail completed returns to:

Indiana Department of Revenue
100 N. Senate Ave.
Indianapolis, IN 46204-2253.

Form **IT-20SC Fiscal**
State Form 442 (5-03)

Indiana Department of Revenue
Indiana Special Corporation Income Tax Return
for Fiscal Year

Beginning AA_______/__________/2002 and Ending BB_______/__________/2003

(Do not write above) Page 1

Name of Corporation B		Federal Identification Number A
		Principal Business Activity Code H
Number and Street C	Indiana County or O.O.S. D	Indiana Taxpayer Identification Number I
City E / State F	Zip Code G	Telephone Number J ( )

K. Date of incorporation 1__________ in the State of 2______________
L. State of commercial domicile______________
M. Year of initial Indiana return ______________
N. Location of accounting records if different from above address
____
O. Check accounting method used for reporting federal taxable income:
1 **Cash** 2 **Accrual** 3 **Other**
P. Check box if the corporation paid estimated tax using different Federal Identification Numbers. ☐ *(List on Schedule H any other Federal Identification Numbers under which payments were made).*
Q. Enter the number of motor vehicles operated by the corporation in the State of Indiana on the last day of the taxable year______________
R. Check box if all these vehicles are registered in the State of Indiana. ☐ *(If not, attach explanation and the reason(s) why some vehicles are not registered with Indiana).*

S. **Check all boxes that apply to entity:** 1 Initial Return 2 Final Return 3 In Bankruptcy
T. Is 80% or more of your gross income derived from making, acquiring, selling or servicing loans or extensions of credit? .... 1 Yes 2 No
(If yes, do not file Form IT-20SC Fiscal: You must file Form FIT-20).
U. Did the corporation have more than one class of stock outstanding during the year? .... 1 Yes 2 No
V. Was the corporation a member of an affiliated group? .... 1 Yes 2 No
W. At any time during the tax year did the number of shareholders exceed 75 members? .... 1 Yes 2 No
X. Did the company derive more than 25% of its gross income from passive investments .... 1 Yes 2 No
Y. Pursuant to IRC Section 1361(b), would the corporation qualify as an S corporation if it elected to do so? .... 1 Yes 2 No
Z. Is an extension of time to file attached? .... 1 Yes 2 No

Summary of Calculations for Fiscal Year

27. Total income taxes (from Schedule C, line 26) (cannot be less than zero) 27
28. Sales/use tax due from worksheet on page 5 28
29. SUBTOTAL: Add lines 27 and 28 ....
30. College and University Contribution Credit (CC-20) 30
31. Neighborhood Assistance Tax Credit (NC-20) 31
32. Indiana Research Expense Tax Credit (IT-20REC) 32
33. Twenty-First Century Scholars Program Credit (TCSP-40) 33
34. Enterprise Zone Employment Expense Tax Credit (EZ 2) 34
35. Enterprise Zone Loan Interest Tax Credit (LIC) 35
36. Other Non-refundable Credits (see instructions) 36

2002 to 2003 IT-20SC Fiscal Year Return

37. Total income tax reduction (30 through 36). (Attach supporting schedule(s) for credit(s) claimed.) (May not exceed line 27) ....
38. TOTAL TAX DUE: Subtract line 37 from line 29 (cannot be less than zero) 38

Estimated Credits and Other Payments for Fiscal Year

39. Total amount of estimated income taxes paid (itemize quarterly IT-6/EFT payments below) 39
1 ________ 2 ________ 3 ________ 4 ________
40. Enter prior year overpayment credit $ a________ from tax year ending b________
Enter this year's extension payment $ c________ Enter combined amount 40
41. Gross income tax paid on sales of real estate on or before December 31, 2002 41
42. Other credits (attach supporting evidence) 42

Due the 15th day of the 4th month following the close of the fiscal year

43. Total payments and credits (Add lines 39, 40, 41 and 42) ....
44 Balance of tax due (If line 38 is greater than line 43, enter the difference) ....
45. Penalty for the underpayment of income taxes from attached Schedule IT-2220 Fiscal 45
46. Interest: If payment is made **after the original due date**, compute interest. (Contact the Department for current interest rate) 46
47. Late Penalty: If paying late enter 10% of line 44; see instructions. If line 29 is zero enter $10 per day filed past due date 47
48. Total Amount Owed (add lines 44, 45, 46 and 47). Make check payable to **Indiana Department of Revenue.** **PAY THIS AMOUNT ▶** 48
49. Overpayment of tax (line 43 minus lines 38, 45 and 47) 49
50. REFUND: Enter portion of line 49 to be refunded 50
51. OVERPAYMENT CREDIT: Amount of line 49 to be applied to the following year's estimated tax account 51

I authorize the Department to discuss my return with my tax preparer: CC ☐ Yes **(For Department Use Only)** DD

▶ *Under penalties of perjury, I declare I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.* Company's e-mail address EE

Signature of Corporate Officer	Date	Print or Type Name of Corporate Officer LL	Title MM
Print or Type Paid Preparer's Name FF		Preparer's FID, SSN, or PTIN Number NN	Check Box: OO 1 ☐ Federal I.D. Number 2 ☐ Social Security Number 3 ☐ PTIN Number
Street Address GG		Daytime Telephone Number of Preparer PP	
City HH / State II	Zip+4 JJ	Preparer's Signature	

VN

Please mail forms to: **Indiana Department of Revenue, 100 N. Senate Avenue, Indianapolis, Indiana 46204-2253.**

(All special corporations having taxable fiscal years starting in 2002 must complete these schedules)

Schedule A - Adjusted Gross Income Tax Calculation for Fiscal Year Beginning in 2002 and Ending in 2003

Full Year

1. Federal taxable income (before federal net operating loss deduction and special federal deductions) 1
2. Enter net qualifying dividends deduction from federal Schedule C, Form 1120 2
3. Subtract line 2 from line 1 3
4. Add back: All state income taxes (taxes based on income) 4
5. Add back: All charitable contributions 5
6. Deduct: Interest on U.S. Government Obligations less related expenses included on federal return 6
7. Total modifications (add lines 4 and 5, subtract line 6) ....
8. Subtotal (add lines 3 and 7) 8
9. Adjustments (explain on Schedule H) Enter deductions in <brackets> 9
10. Subtotal: (add lines 8 and 9) ....
11. Deduct: Nonbusiness income and non-unitary partnership distributions from IT-20 Fiscal Schedule F, Column C, line (10) (attach Schedule F) 11
12. Taxable business income (line 10 less line 11) 12
13. Average apportionment percentage for fiscal year, if applicable. Check method used and attach completed schedule: IT-20 Fiscal Schedule E, line 4c **13a** ; Schedule E-7 **13b** ; or Other Apportionment Method **13c** 13d (Do Not Enter 100%) ___ ___ . ___ ___ %
14. Indiana apportioned business income (multiply line 12 by percent on line 13d, if applicable, otherwise enter amount from line 12) 14
15. Add: Indiana nonbusiness income and Indiana non-unitary partnership income from Schedule F, Column D, line (11) (attach IT-20 Fiscal Schedule F) 15
16. Total Indiana adjusted gross income before net operating loss deduction (line 14 plus line 15) 16
17. Indiana portion of net operating loss deduction, see instructions (attach Schedule IT-20NOL) Enter loss as a positive figure 17
18. Total Indiana adjusted gross income for fiscal year (line 16 less line 17) 18
19. Multiply line 18 by your fiscal year's Adjusted Gross Income tax rate for line 19. See Tax Rate Chart 19

See New Tax Rate Chart for Lines 19 & 23 on page 3

Schedule B - Final Supplemental Net Income Tax Calculation for Fiscal Year Beginning in 2002 and Ending in 2003

20. Enter Indiana adjusted gross income for fiscal year from line 18 (if a loss is shown on line 18, enter zero and proceed to line 24)
21. Enter adjusted gross income tax for period from Schedule A, line 19 ....
22. Supplemental net income for period (line 20 minus line 21). If less than zero, enter zero here and on line 23
23. Multiply line 22 by your fiscal year's supplemental net income tax rate for line 23. See Tax Rate Chart 23

Schedule C - Total Income Tax Calculation for Fiscal Year

24. Enter adjusted gross income tax from Schedule A, line 19 (cannot be less than zero) ....
25. Enter final supplemental net income tax from Schedule B, line 23 ....
26. Total income taxes: Add lines 24 and 25. Carry to Summary of Calculations for Fiscal Year, line 27 on the front of form ....

Tax Rate Chart for Corporate Adjusted Gross and Supplemental Net Income Taxes

Effective prorated tax rates for:

Fiscal Year Beginning	Fiscal Year Ending	2002-03 Adjusted Gross Income Schedule A, Line 19	2002 Supplemental Net Income Schedule B, Line 23
February 1, 2002	January 31, 2003	.0383	.0412
March 1, 2002	February 28, 2003	.0422	.0377
April 1, 2002	March 31, 2003	.0466	.0339
May 1, 2002	April 30, 2003	.0508	.0302
June 1, 2002	May 31, 2003	.0551	.0264
July 1, 2002	June 30, 2003	.0593	.0227
August 1, 2002	July 31, 2003	.0636	.0189
September 1, 2002	August 31, 2003	.0680	.0150
October 1, 2002	September 30, 2003	.0721	.0113
November 1, 2002	October 31, 2003	.0765	.0075
December 1, 2002	November 30, 2003	.0807	.0038

Use the following proration formula for determining the effective tax rate for a tax year with different starting or ending dates than those shown above.

For line 19

The rate of adjusted gross income tax for the full taxable year is a rate equal to the sum rounded to the nearest one-hundredth of one-percent (0.01%) of:

1. Three and four-tenths percent (3.4%) multiplied by a fraction, the numerator of which is the number of days in the taxpayer's taxable year that occurred before January 1, 2003, and the denominator of which is the total number of days in the taxable year; and
2. Eight and five-tenths percent (8.5%) multiplied by a fraction, the numerator of which is the number of days in the taxpayer's taxable year that occurred after December 31, 2002, and the denominator of which is the total number of days in the taxable year.

Formula for effective tax rate for fiscal year:

$$\text{Adjusted gross Income Tax rate} = \frac{(0.034 \text{ X Taxable Days in 2002}) + (0.085 \text{ X Taxable Days in 2003})}{\text{Number of Days in Taxable Year}}$$

Example for line 19:

For a fiscal year starting June 1, 2002 and ending May 31, 2003:

Schedule A, line 19 effective rate: $\frac{(0.034 \text{ X } 214) + (0.085 \text{ X } 151)}{365} = .0551\ (5.51\%)$

For line 23

Supplemental Net Income Tax is imposed on the whole fiscal year's net income based on the total number of days of the taxable fiscal year in 2002. The rate of tax of four and five-tenths percent (4.5%) is multiplied by a fraction, the numerator of which is the number of days in the taxpayer's taxable year that occurred before January 1, 2003, and the denominator of which is the total number of days in the taxable year rounded to the nearest one-hundredth of one-percent (0.01%) of:

$$\text{Supplemental Net Income Tax rate} = \frac{0.045 \text{ X Taxable Days in 2002}}{\text{Number of Days in Taxable Year}}$$

Example for line 23:

For a fiscal year starting July 1, 2002 and ending June 30, 2003:

Schedule B, line 23 effective rate for 2002: $\frac{0.045 \text{ X } 184}{365} = .0227\ (2.27\%)$

Indiana Department of Revenue

IT-20 Fiscal Schedule E

State Form 49105 (5-03)

Apportionment of Adjusted Gross Income for Indiana

For Fiscal Year Beginning AA______/______ **2002 and Ending** BB______/______ **2003**

Name as shown on return	Federal Identification Number
B	A

Each filing entity having income from sources both within and outside Indiana must complete a three-factor apportionment schedule except financial institutions and certain insurance companies that use a single factor. Interstate transportation entities must use Schedule E-7, Apportionment for Interstate Transportation. Combined unitary filers must use the apportioning method (relative formula percentage) as outlined in Tax Policy Directive #6. Omit cents - percents should be rounded two decimal places - read apportionment instructions.

Part I - Apportionment of Adjusted Gross Income for Fiscal Year Beginning in 2002 and Ending in 2003

	Column A TOTAL WITHIN INDIANA	Column B TOTAL WITHIN and OUTSIDE INDIANA	Column C INDIANA PERCENTAGE
1. Property Factor - Average value of owned property from the beginning and the end of the tax year. (Value of and pro rata share of real and tangible personal property used in the business at original cost.)			
(a) Property reported on federal return (average value for tax year)			
(b) Fully depreciated assets still in use at cost (average value for tax year)			
(c) Inventories, including work in progress (average value for tax year)			
(d) Other tangible personal property (average value for tax year)			
(e) Rented property (8 times the annual net rental)			
Total Property Values for Fiscal Year: Add lines 1(a) through 1(e)	1A	1B	1C ___ ___ ___ . ___ ___ %
2. Payroll Factor - Wages, salaries, commissions, and other compensation of employees related to business income and pro rata share of payroll reportable on the return.			
Total Payroll Value for Fiscal Year:	2A	2B	2C ___ ___ ___ . ___ ___ %

3. Receipts Factor (less returns and allowances) - Include all non-exempt apportioned gross business income. Do not include non-unitary partnership distributions or previously apportioned income that must be reported with allocable non-business income on Schedule F. Complete classification questionnaire on Part II.

	Column A	Column B	Column C
Sales delivered or shipped to Indiana:			
(a) Shipped from within Indiana			
(b) Shipped from outside Indiana			
Sales shipped from Indiana to:			
(c) The United States Government			
(d) Purchasers in a state where the taxpayer is not subject to income tax (under P.L. 86-272)			
(e) Interest and other receipts from extending credit attributed to Indiana			
(f) Other gross business receipts not previously apportioned			
Total Receipts for Fiscal Year: Add column A receipts lines 3(a) through 3(f) and enter in line 3A. Enter all receipts in line 3B, on column B	3A	3B	

4. Summary - Apportionment of Income for Indiana for Fiscal Year

(a) **Receipts Percentage** for factor 3 above: Divide 3A by 3B, enter result here: 4(a)1 ___ ___ ___ . ___ ___% X 200% (2.0) double-weighted adjustment **4a** ___ ___ ___ . ___ ___ %

(b) **Total Percents:** Add percentages entered in boxes 1C, 2C and 4a of column C. Enter sum .... **4b** ___ ___ ___ . ___ ___ %

(c) **Indiana Apportionment Percentage for Fiscal Year:** Divide line 4b by 4 if all three factors are present. Carry result to apportionment line on return . **4c** ___ ___ . ___ ___ %

NOTE: If either property or payroll factor for column B is absent, divide line 4b by 3. If the receipts factor (3B) is absent, you must divide line 4b by 2. See instruction booklet.

Part II - Business/Non Business Income Questionnaire

1. List all business locations where the taxpayer has operations/partnership interests and indicate type of activities. This section must be completed - attach additional sheets if necessary.

(a) Location City and State	(b) Nature of Business Activity at Location	(c) Accepts Orders? Yes	No	(d) Registered to do Business? Yes	No	(e) Files Returns in State? Yes	No	Property in State (f) Leased? Yes	No	(g) Owned? Yes	No

2. Describe briefly the nature of the Indiana business activities including the exact title and principal business activity of any partnership in which the corporation has an interest:

3. Indicate any partnership in which you have a unitary or general partnership relationship:

4. Describe briefly the nature of activities of sales personnel operating and soliciting business in Indiana:

5. Do Indiana receipts for line 3A include all sales shipped from Indiana to (1) where the purchaser is the U.S. Government; or (2) locations where this taxpayer's only activity in the state of the purchaser consists of the mere solicitation of orders? 1 Yes 2 No If no, please explain:
(a)

6. List (here and on IT-20Fiscal Schedule F) source of any directly allocated income from other partnerships, estates and trusts not in taxpayer's apportioned tax base:

Schedule CC-20 - College and University Contribution Credit

Column A - Name of Indiana College or University (List charitable contributions made during year)	Column B Date	Column C Amount Given

1. Total contributions to Indiana colleges and universities ....
2. 50% of line 1 or $1000, whichever is less ....
3. Enter adjusted gross income tax for tax period from Schedule A, line 19 ....
4. 10% of your Indiana adjusted gross income tax (multiply line 3 by .10) ....
5. CREDIT - Lesser of line 2 or line 4 (enter here and on line 30 on front of Form IT-20SC Fiscal) ....

Schedule H - Additional Explanation or Adjustment of Items Elsewhere on Return for Tax Period (Carry subtotals to respective schedules)

Column A	Column B	Column C Explanation	Column D Amount
Reference to schedule and line number			
Schedule A,	**line 9**	**Foreign Source Dividends Deduction** (excluding Foreign Gross Up) for dividends reported on federal Schedule C included in taxable income.	

Percentage of Voting Stock	Column E **Remainder of Federal Taxable Dividends** (after Schedule C special deductions) from foreign corporations	Column F **Dividend Deduction Rate**	Column G **Dividend Deduction** Col. E x Col. F (enter as negative value)
80% or more of stock owned:	$	100%	( )
50% but less than 80%:	$	85%	( )
Less than 50% of stock owned:	$	50%	( )
Foreign Source Dividends Deduction from adjusted gross income (Subtotal of Column G)			( )
Add subtotal from column D and subtotal of column G, of above Schedule H. Carry to IT-20SC Fiscal Schedule A, line 9			

Sales/Use Tax Worksheet for Line 28, Form IT-20SC Fiscal

(5-03)

List all purchases made during fiscal year from out-of-state companies.

Description of personal property purchased from out-of-state	Purchase(s) made prior to 12-1-2002 **Column A**	Purchase Price of Property(ies) from Column A **Column B**	Purchase(s) made on or after 12-01-2002 **Column C**	Purchase Price of Property(ies) from Column C **Column D**
Magazine subscriptions:				
Mail order purchases:				
Internet purchases:				
Other purchases:				

1. Total purchase price of property subject to the sales/use tax: Enter total of Columns B and D	1B		1D	
2. Sales/use tax: Multiply line 1B by .05 (5%); multiply line 1D by .06 (6%)	2B		2D	
3. Sales tax previously paid on the above items (up to 5% per item in Column B; up to 6% per item in Column D)	3B		3D	
4. Total amount due: Subtract line 3B from line 2B and line 3D from line 2D. Add lines 4B and 4D. Carry to Form IT-20SC Fiscal line 28. If the amount is negative, enter zero and put no entry on line 28 of the IT-20SC Fiscal	4B		4D	

Indiana Department of Revenue

IT-20 Fiscal Schedule F

State Form 49104
(5-03)

Allocation of Nonbusiness Income and Indiana Non-Unitary Partnership Income

For Fiscal Year Beginning AA______/_________ **2002 and Ending** BB______/_________ **2003**

Name as shown on return	Federal Identification Number
B	A

Complete all applicable sections. See separate instructions for Schedule F in income tax booklet. Attach additional sheets if necessary.

Identify each item of income. Indicate amount of related nonbusiness expenses (other than state income taxes) for each income source. For every line with entry, subtract column B from column A; and enter net amount in column C. Also enter the net amount in column D if the income is attributable to Indiana. **Omit Cents.**

Column AA (1) **Dividends** (not from DISC or FSC's) Excess after federal and state foreign source dividends deduction: Source	Column BB Percent Owned (If Foreign)	Column A **Total Amount**	Column B **Related Expenses**	Column C **Net Amount All Sources**	Column D **Net Amount Indiana Source**
Carryforward subtotals from additional sheets					
Total Dividends, Expenses, and Net Amounts.........				1C	1D
(2) **Interest** (Do not include interest from U.S. Government obligations) Source and Type	Short/Long Term				
Carryforward subtotals from additional sheets					
Total Interest, Expenses, and Net Amounts...............				2C	2D
(3) **Net Capital Gains (Losses) from Sale or Exchange of Personal Property and Real Estate** (Indicate if tangible or intangible property) Source and Type	Gross Proceeds				
Carryforward subtotals from additional sheets					
Total Net Gains, Expenses, and Net Amounts.............				3C	3D

Continued on page 7

IT-20 Fiscal Schedule F continued

Indiana Department of Revenue

Allocation of Nonbusiness Income and Indiana Non-Unitary Partnership Income

(Omit Cents)

Column AA **(4) Rents and Royalties from Tangible Personal Property and Real Estate** Source	Column BB Former or current business use Yes/No	Column A **Gross Amount**	Column B **Related Expenses**	Column C **Net Amount All Sources**	Column D **Net Amount Indiana Source**
Carryforward subtotals from additional sheets					
Total Rents/Royalties, Expenses, and Net Amounts....				4C	4D
(5) Patents, Copyrights, and Royalties from Intangible Property Source					
Carryforward subtotals from additional sheets					
Total Patents/Royalties, Expenses, and Net Amounts..				5C	5D
(6) Other (nonbusiness income) Source and Type					
Carryforward subtotals from additional sheets					
Total Other Income, Expenses, and Net Amounts				6C	6D

(7) Total Nonbusiness Income (add subtotals in column A) **7A**

(8) Total Related Expenses (add subtotals in column B, lines 1 through 6) **8B**

(9) Distributive Share Income from Non-Unitary Partnerships & Tiered Partnerships

Column AA Name of partnership (List previously apportioned/allocated partnership distributions)	Column BB LLC or LLP	Federal K-1 Distributive Share of Income from Non-Unitary/ Tiered Partnership(s)	Indiana IN K-1 Distributive Share of Income from Non-Unitary/ Tiered Partnership (Including modifications)
Carryforward subtotals from additional sheets			
Total Federal Non-Unitary Partnership Income; Net Amount Attributed to Indiana		9C	9D

(10) Total Net Nonbusiness & Non-Unitary Partnership Income (add subtotals in column C, lines 1C through 6C plus line 9C) **10C**
Carry total of line 10C to line 32 of Form IT-20 Fiscal, or line 11 of Form IT-20SC Fiscal

(11) Total Net Nonbusiness & Non-Unitary Partnership Income from Indiana Sources (add subtotals in column D, lines 1D through 6D plus Line 9D) **11D**
Carry total of line 11D to line 36 of Form IT-20 Fiscal, or line 15 of Form IT-20SC Fiscal

Schedule
IT-2220 Fiscal
State Form 51076
(5-03)

Indiana Department of Revenue

Penalty for Underpayment of Corporate Income Taxes

For Fiscal Year
Beginning AA_____/______2002
and Ending BB_____/_______2003
Attach sequence #9

Name of Corporation or Organization	Federal Identification Number
B	A

Part I - How to Figure Underpayment of Corporate Taxes

1. Enter total calculated **adjusted gross income tax**........	1	
2. Enter total calculated **gross income tax** through December 31, 2002 (if less than $1,000 enter -0-).....	2	
3. Subtract line 2 from line 1 and enter difference (if less than $1,000 enter -0-, continue to lines 4 and 5)....	3	
4. Enter total calculated **supplemental net income tax** (if less than $1,000 enter -0-)........	4	
5. Add lines 2, 3 and 4. If zero, do not complete rest of schedule........	5	
6. Enter total **tax reduction credits** excluding estimated taxes paid (cannot exceed total on line 5)..........	6	
7. Subtract line 6 from line 5. If zero, stop; you do not owe an underpayment penalty........	7	

Part II - How to Figure Exception to Underpayment Penalty

8. Multiply line 7 by 80% and enter result here........	8	
9. Enter 100% of prior year's final income tax liability net of tax reduction credits (do not reduce by estimated taxes paid). See instructions........	9	
10. Enter line 8 or line 9, whichever amount is less........	10	

Short period filers see note on reverse following line 22 instructions.

Quarterly Estimated Periods:		(a) 1st quarter	(b) 2nd quarter	(c) 3rd quarter	(d) 4th quarter
11. Enter in columns (a) through (d) the quarterly installment dates corresponding to the 20th day of the 4th, 6th, 9th and 12th months of the tax year........	11				
12. Enter the actual amount of estimated tax paid or credited on or before the due date of the installment for each quarter........	12				
13. Enter the overpayment, if any, **from the preceding column** that exceeds any remaining prior <underpayments> shown on line 16.....	13				
14. Add line 12 and line 13 for each column........	14				
15. Divide line 10 by four; enter result in columns (a) through (d).........	15				
16. Subtract line 15 from line 14 for each quarter. If the result is a negative figure, you have **not** met any exception to the penalty for the quarter........	16				

Part III - How to Figure Penalty

		(a)	(b)	(c)	(d)
17. Enter the overpayment, if any, **from the preceding column** that exceeds any remaining prior <underpayments> shown on line 20........	17				
18. Add line 12 in Part II, and line 17 above, for each quarter........	18				
19. Divide line 7 in Part I by four (4); enter result in columns (a) through (d)........	19				
20. Subtract line 19 from line 18. If the result is a negative figure, this is your <underpayment> for the quarter........	20				
21. If line 16 shows zero or more for the quarter, the overpayment exception is met. Enter zero on line 21. **Otherwise, compute 10% penalty on the <underpayment> shown on line 20 for each column.** Enter the penalty, if any, for the quarter as a positive figure...	21				

22. Add line 21, columns (a) through (d). This is your total **underpayment penalty.** Enter here and carry to the appropriate line of Form IT-20 Fiscal, IT-20SC Fiscal, IT-20NP Fiscal or IT-20S	22	

IT-20 Fiscal Schedule IT-2220 Instructions

Who Should File?

Schedule IT-2220 must be completed and attached to the annual corporate Form IT-20 Fiscal, IT-20NP Fiscal or IT-20SC Fiscal anytime the corporation did not pay the required amount of gross, adjusted gross, or supplemental net income tax **in any particular quarter**, or the corporation meets an exception to the penalty for underpayment as provided for in Indiana Code 6-3-4-4.1.

What is the Required Amount Prior to the Repeal of the Gross Income Tax and Supplemental Net Income Tax on January 1, 2003?

Corporations having annual income tax liabilities exceeding $1,000 are subject to an underpayment penalty if they fail to file estimated tax payments or fail to remit a sufficient amount on a quarterly basis.

Quarterly payments for: 1) gross income tax are due anytime the annual gross income tax exceeds $1,000 for a taxable year, or 2) whenever the adjusted gross income tax liability (after credit for tax imposed on gross income) exceeds the annual gross income tax by $1,000 or more. Also, quarterly estimated payments for supplemental net income tax are due anytime the annual supplemental net income tax is $1,000 or more for the year.

The qualified estimated payments should equal 25% of the total income tax due for the year. To avoid the penalty, the quarterly estimate must equal at least twenty percent (20%) of the total income tax liability for the current taxable year or twenty-five percent (25%) of the final income tax liability for the prior taxable year.

The Indiana Code does not provide corporations an exception to the penalty for underpayment of estimated taxes using either an annualized income or adjusted seasonal method.

PART I - How to Figure Underpayment of Corporate Taxes

This schedule must be used by Form IT-20 Fiscal, IT-20NP Fiscal and IT-20SC Fiscal filers in determining whether or not the minimum amount of tax was paid timely.

1. Enter the annual adjusted gross income tax from Schedule B of Form IT-20Fiscal, IT-20S, Schedule A of Forms IT-20SC Fiscal, or Schedule C of Form IT-20NP Fiscal.

2. Enter the annual gross income tax from Schedule A of Form IT-20 Fiscal, or Schedule A and B of Form IT-20NP Fiscal. If total gross income tax is less than $1,000, enter zero. Form IT-20SC Fiscal filers enter zero.

3. Subtract line 2 from line 1. Enter zero if difference is less than $1,000.

4. Enter the annual supplemental net income tax from Schedule C of Form IT-20 Fiscal, Schedule B of IT-20SC Fiscal, or Schedule D of Form IT-20NP Fiscal. If total supplemental net income tax is less than $1,000, enter zero.

5. Add lines 2, 3 and 4. If the total is zero, STOP. You owe no penalty and you do not need to complete this schedule.

6. Enter your total tax reduction (nonrefundable) credits (college credit, neighborhood assistance credit, etc.) reported on line 58 of Form IT-20 Fiscal; line 24 of Form IT-20NP Fiscal; or line 37 of Form IT-20SC Fiscal. Also include applicable WH-18 withholding credits and any gross income tax paid on sales of real estate. **Do not** enter estimated tax payments, extension payments, or prior year's overpayment credit. In no case may the total of tax reduction credits exceed the total tax on line 5.

7. Subtract line 6 from line 5. This is your current year's tax liability. If zero, STOP. You do not owe any underpayment penalty.

PART II - How to Figure Exception to Underpayment Penalty

I.C. 6-3-4-4.1(e) prescribes two exceptions to the penalty for underpayment. If required to pay quarterly, the estimate should include either at least 20% of the total income tax liability for the taxable year or 25% of the final income tax liability for the previous tax year.

If the previous year was for a period of less than twelve months, the exception may be met by demonstrating what the liability would have been if a twelve-month return had been filed. For example, if the previous year was for 6 months, double the total tax for that year and enter 25% of this total. If last year's tax was zero, enter zero on line 9.

9. Enter 100% of your prior year's final income tax liability (total tax less nonrefundable credits and any withholding and gross tax credits) before applying estimated tax credits.

11. Enter in columns (a) through (d) the quarterly installment due dates corresponding to the estimated income tax payments for your tax year.

If filing on a calendar year basis, the installment due dates for corporate income tax payments are April 20, June 20, September 20 and December 20 of the taxable year. Fiscal year and short tax year filers must remit by the twentieth day of the fourth, sixth, ninth, and twelfth months of the taxable year. Short period filers see note following line 22 instructions.

12. Enter the amount of estimated taxes paid by the due date of the installment for each quarter. Payments made after the quarterly due date must be reported in the following quarter when paid. If you are carrying forward an overpayment credit from the previous year, add that amount together with the installment amount paid for the first available quarter to which the carryover credit is posted. Do not include any credits claimed on line 6. **STOP.** Complete lines 13 through 16 in each column before proceeding to the next column.

13. Enter the remaining overpayment, if any, from line 16 of the preceding quarter, as adjusted after deducting any previous <underpayment> balance.

15. Divide line 10 by four (4) and enter the result in each column. NOTE: Short period filers must apply the instructions following line 22 instructions.

16. Subtract line 15 from line 14 for each column. If line 14 is less than line 15, enter the resulting underpayment in <brackets>. If line 15 is equal to or greater than line 14, the difference is an overpayment and you have met an exception to the penalty for the quarter. See instructions for line 13.

After completion of all four columns, if none of the quarters shows an underpayment, stop here and attach schedule to your return. Otherwise proceed to Part III to recompute your actual underpayment.

PART III - How to Figure the Penalty

The penalty for the underpayment of estimated taxes is assessed on a quarterly basis on the difference between the amount paid for each quarter and twenty-five percent (25%) of the final tax liability for the current year. **If any underpayment is shown on line 16 continue by completing lines 17 through 21 in each column before proceeding to the next column.**

17. Enter the remaining overpayment, if any, from line 20 of the preceding quarter, as adjusted after deducting any previous <underpayment> balance.

19. Enter current year's quarterly tax due: divide line 7, in Part I, by four (4) and enter result in each column.

20. Subtract line 19 from line 18. If line 18 is less than line 19, enter the resulting underpayment in <brackets>. If line 18 is greater than line 19, the difference is carried as an overpayment to line 17 of the next column after deducting any remaining <underpayments> shown on line 20 of the preceding columns.

21. Multiply the amount of <underpayment> on line 20 for each column by 10% if an exception to penalty for the quarter was not met on line 16. Enter zero on line 21 if line 16 is zero or greater for the quarter.

22. Add the amounts on line 21 for all quarters and enter result here. This is your total underpayment penalty due. Carry this amount to the appropriate line on the front of Form IT-20 Fiscal, IT-20NP Fiscal or IT-20SC Fiscal.

Short Period Returns: Lines 15 and 19 must be changed to correspond with your short period return. Do not enter 25% of line 7 or 10; instead, divide lines 7 and 10 by 3 for returns consisting of three quarterly periods. Divide lines 7 and 10 by 2 for returns consisting of two quarterly periods. Use the entire amount from lines 7 and 10 for returns consisting of one quarterly period. For lines 11 through 21, complete only those columns corresponding with the number of quarters being filed.

Other Tax Credits

• Historic Rehabilitation Tax Credit

I.C. 6-3.1-16-7 provides a tax credit for rehabilitating historic properties. The credit is 20% of the total cost of certified rehabilitation expenses of at least $10,000 made to a registered Indiana historic structure that is at least 50 years old, owned by the taxpayer, 2,000 square feet on the ground floor, and actively used in a trade or business.

Contact the Division of Historic Preservation and Archaeology, at (317) 232-1646, to obtain more information and instructions for approval of this credit.

• Maternity Home Tax Credit

An income tax and unused carryover credit is allowed for maternity home owners providing a temporary residence to at least one pregnant woman for at least 60 consecutive days during the pregnancy. If more than one entity has an ownership interest in a maternity home, each may claim the credit in proportion to its ownership interest. The maternity home owner must annually file an application with the Indiana State Department of Health in order to be eligible to claim this credit.

A copy of the application approved by the Indiana State Department of Health at (317) 233-1261, must be attached to verify the credit claimed. For more information about and an application for this credit, contact the Maternal and Child Health Division at (317) 233-1261.

• Prison Investment Tax Credit

An income tax credit is allowed under I.C. 6-3.1-6 for amounts invested in Indiana prisons to create jobs for prisoners. The amount is limited to 50% of the inventory in a qualified project approved by the Department of Corrections, plus 25% of the wages paid to inmates. The maximum credit a taxpayer may claim is $100,000 per year. *Effective January 1, 2002, pass-through entities are eligible for the credit.*

• Teacher Summer Employment Tax Credit

I.C. 6-3.1-2-1 provides a tax credit to taxpayers hiring designated shortage certified teachers during school summer vacations. The credit for each teacher hired is the lesser of either $2,500 or 50% of the compensation paid. The Professional Standards Board will certify the qualified positions. Schedule TSE must be attached to the return. Contact the Department of Education at (317) 232-6676 for information about this credit.

The following programs are administered by the Indiana Department of Commerce. To request additional information regarding the definitions, qualifications, and procedures for obtaining these credits contact: Indiana Department of Commerce, One North Capitol, Suite 600, Indianapolis, Indiana, 46204, or call (317) 232-8911. Internet address: **www.in.gov/doc**

• Capital Investment Tax Credit

Effective January 1, 2001, a taxpayer or a pass-through entity is eligible for a capital investment cost tax credit provided by I.C. 6-3.1-12-5 based on certain qualified capital investments made in Shelby County. The credit, if certified by the Indiana Department of Commerce, is equal to 14% of the amount of the approved qualified investment and is ratable over a seven-year period. Contact: Development Finance Division, (317) 232-8782.

• Community Revitalization Enhancement District Tax Credit

A state and local income tax credit is available for a qualified investment for redevelopment or rehabilitation of property within a community revitalization enhancement district. The expenditure must be approved by the Indiana Department of Commerce before it is made. The credit is equal to 25% of the qualified investment made by the taxpayer during the taxable year.

The taxpayer can assign the credit to a lessee who remains subject to the same requirements. The assignment must be in writing and any consideration may not exceed the value of the part of the credit assigned. Both parties must report the assignment on their state income tax return for the year of assignment.

The Indiana Department of Revenue has the authority to disallow any credit if the taxpayer ceases existing operations or substantially reduces its operation within the district or elsewhere in Indiana, or reduces other Indiana operations to relocate them into the district.

• Individual Development Account Tax Credit

A tax credit is available equal to 50% of the contribution, if not less than $100 and not more than $50,000, which is made to a community development corporation participating in an Individual Development Account program. This credit may not exceed a state tax due as reduced by other nonrefundable credits. Any unused credit may not be carried over or claimed in a taxable year different than the year in which the qualifying contribution for the credit is paid. Pass through entities are eligible for the credit. The amount of total credits allowed per fiscal year is limited to $200,000.

Applications for the credit are filed through the community development corporation using Form IDA-10/20. The organization must have an approved program number from the Indiana Department of Commerce before a contribution qualifies for pre-approval.

• Industrial Recovery Tax Credit

I.C. 6-3.1-11 provides for a state tax liability credit based upon a taxpayer's qualified investment in a vacant industrial facility within a designated industrial recovery site. If the enterprise zone board approves the application and the plan for rehabilitation, the taxpayer is entitled to a credit based upon the "qualified investment."

A lessee of property in an industrial recovery site may be assigned tax credit(s) based upon the owner's or developer's qualified investment within the designated industrial recovery site.

• Investment Cost Credit

A limited liability company is entitled to an enterprise zone investment cost credit against adjusted gross income tax liability provided under I.C. 6-3.1-10-4 for a qualified investment made in a designated zone *located in Vigo County, Indiana*. The limited liability company may carry over any excess credit to succeeding taxable years.

• Military Base Recovery Tax Credit

A state tax credit is available for rehabilitation of real property located in military base facilities designated by the state Enterprise Zone Board.

A claimant may also be a lessee of property in a military base recovery site and assigned part of the tax credit based upon the owner's or developer's qualified investment within a military recovery site. The assignment must be in writing and any consideration may not exceed the value of the part of the credit assigned. Both parties must report the assignment on their state income tax return for the year of assignment. The lessee may use the credit to offset its total state income tax liability, but any excess credit must be carried forward to the immediate following tax year(s).

A taxpayer that would be entitled to this credit is not entitled to the credit if the taxpayer ceases or dramatically reduces operations at the military base recovery site.

• Rerefined Lubricated Oil Facility Tax Credit

A taxpayer or a pass-through entity may be eligible, as determined by the Indiana Department of Commerce, for a state tax credit against its income and sales and use tax liabilities. The credit is based on a percentage of the real and personal property taxes paid by an entity that processes rerefined lubrication oil as defined in I.C. 6-3.1-22.2. Contact: Development Finance Division, (317) 232-8782.